



# **Interim Report of the Audit Division on the National Right to Life Political Action Committee**

January 1, 2007 – December 31, 2008

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## **Why the Audit Was Done**

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## **Future Action**

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## **About the Committee (p. 2)**

The National Right to Life Political Action Committee is a separate segregated fund of the National Right to Life Committee and is headquartered in Washington, DC. For more information, see the chart on the Committee Organization, p. 2.

## **Financial Activity (p. 2)**

- **Receipts**

○ From Individuals	\$ 3,662,627
○ From Other Political Committees	9,850
○ Offsets to Operating Expenditures	4,051
<b>Total Receipts</b>	<b>\$ 3,676,528</b>
  
- **Disbursements**

○ Operating Expenditures	\$ 566,590
○ Independent Expenditures	2,804,925
○ Contributions to Other Committees	13,750
<b>Total Disbursements</b>	<b>\$ 3,385,265</b>

## **Findings and Recommendations (p. 3)**

- Misstatement of Financial Activity (Finding 1)
- Disclosure of Occupation and Name of Employer (Finding 2)

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<sup>1</sup> 2 U.S.C. §438(b).

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# Table of Contents

	Page
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
Limitations	1
<b>Part II. Overview of Committee</b>	
Committee Organization	2
Overview of Financial Activity	2
<b>Part III. Summaries</b>	
Findings and Recommendations	3
<b>Part IV. Findings and Recommendations</b>	
Finding 1. Misstatement of Financial Activity	4
Finding 2. Disclosure of Occupation and Name of Employer	7

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the National Right to Life Political Action Committee (NRL PAC), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

### **Scope of Audit**

Following Commission approved procedures, the Audit staff evaluated various risk factors and, as a result, this audit examined:

1. The disclosure of disbursements, debts and obligations.
2. The disclosure of individual contributors' occupation and name of employer.
3. The consistency between reported figures and bank records.
4. The completeness of records.
5. Other committee operations necessary to the review.

### **Limitations**

In maintaining its disbursement records, NRL PAC satisfied the minimum recordkeeping requirements of 11 CFR §102.9. However, the lack of external documentation, such as invoices and broadcast station affidavits, limited the Audit staff's testing of the proper reporting of debts and obligations, as well as the adequacy of disclosure of independent expenditures.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	
• Date of Registration	July 12, 1979
• Audit Coverage	January 1, 2007 - December 31, 2008
<b>Headquarters</b>	
Washington, DC	
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	Two
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Carol Tobias
• Treasurer During Period Covered by Audit	Amarie Natividad (January 1, 2007 – September 3, 2008) Carol Tobias (September 4, 2008 - Present)
<b>Management Information</b>	
• Attended Commission Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2007</b>	<b>\$ 481,806</b>
<b>Receipts</b>	
○ From Individuals	\$ 3,662,627
○ From Other Political Committees	9,850
○ Offsets to Operating Expenditures	4,051
<b>Total Receipts</b>	<b>\$ 3,676,528</b>
<b>Disbursements</b>	
○ Operating Expenditures	\$ 567,681
○ Independent Expenditures	2,804,925
○ Contributions to Other Committees	13,750
<b>Total Disbursements</b>	<b>\$ 3,386,356</b>
<b>Cash on hand @ December 31, 2008</b>	<b>\$ 773,069</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Misstatement of Financial Activity**

A comparison of NRL PAC's reported figures with bank records revealed a misstatement of receipts and cash-on-hand in 2007 and disbursements and cash-on-hand in 2008. For 2007, NRL PAC overstated beginning cash-on-hand by \$139,547, understated receipts by \$38,239, and overstated ending cash-on-hand by \$104,632. In 2008, NRL PAC overstated disbursements by \$1,437,635 and understated the ending cash-on-hand by \$1,300,378. The Audit staff recommends that NRL PAC amend its disclosure reports to correct the misstatements for both 2007 and 2008.

In addition, the original reports filed by NRL PAC for 2007 and 2008 revealed an overstatement of disbursements in the amount of \$687,536. The Audit staff recommends that NRL PAC submit any additional information or written comments it considers relevant to the matter. (For more detail, see p. 4)

##### **Finding 2. Disclosure of Occupation and Name of Employer**

A review of contributions from individuals revealed that 1,044 contributions totaling \$146,115 lacked disclosure of the contributor's occupation and/or name of employer. Furthermore, NRL PAC did not document "best efforts" to obtain, maintain, and submit information for most of these contributions. The Audit staff recommends that NRL PAC contact each contributor that is missing the occupation and/or name of employer information, submit evidence of such contact, and disclose any information received. (For more detail, see p. 7)

## Part IV

# Findings and Recommendations

### Finding 1. Misstatement of Financial Activity

#### Summary

A comparison of NRL PAC's reported figures with bank records revealed a material misstatement of receipts and cash-on-hand in 2007 and disbursements and cash-on-hand in 2008. For 2007, NRL PAC overstated beginning cash-on-hand by \$130,931, understated receipts by \$29,624, and overstated ending cash-on-hand by \$104,632. In 2008, NRL PAC overstated disbursements by \$1,437,635 and understated the ending cash-on-hand by \$1,300,378. The Audit staff recommends that NRL PAC amend its disclosure reports to correct the misstatements for both 2007 and 2008.

In addition, the original reports filed by NRL PAC for 2007 and 2008 revealed an overstatement of disbursements in the amount of \$687,536. The Audit staff recommends that NRL PAC submit any additional information or written comments it considers relevant to the matter.

#### Legal Standard

**Contents of Reports.** Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
- The total amount of receipts for the reporting period and for the calendar year;
- The total amount of disbursements for the reporting period and for the calendar year; and
- Certain transactions that require itemization on Schedule A (Itemized Receipts), Schedule B (Itemized Disbursements), or Schedule E (Independent Expenditures). 2 U.S.C. §434(b)(1), (2), (3), (4) and (5).

#### Facts and Analysis

##### A. Misstatement of Activity on Amended Reports as Compared with Bank Records

###### 1. Facts

The Audit staff reconciled reported activity with bank records for calendar years 2007 and 2008. The following charts outline the discrepancies for the beginning cash balances, receipts, disbursements, and the ending cash balances for each year. Succeeding paragraphs address the reasons for the misstatements.

<b>2007 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash Balance @ January 1, 2007	\$612,737	\$481,806	\$130,931 Overstated
Receipts	\$53,518	\$83,142	(\$29,624) Understated
Disbursements	\$102,266	\$105,590	(\$3,324) Understated
Ending Cash Balance @ December 31, 2007	\$563,989	\$459,358	\$104,631 Overstated

The overstatement of the beginning cash-on-hand by \$130,931 likely resulted from prior period discrepancies.

The understatement of receipts resulted from the following:

• Bank interest not reported	\$ 14,771
• Vendor refunds for radio ads not reported	4,051
• Unexplained difference	<u>10,802</u>
<b>Understatement of receipts</b>	<b><u>\$ 29,624</u></b>

The misstatements described above resulted in a \$104,632 overstatement of the ending cash-on-hand.

<b>2008 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash Balance @ January 1, 2008	\$563,990	\$459,358	\$104,632 Overstated
Receipts	\$3,626,011	\$3,593,387	\$32,625 Overstated
Disbursements	\$4,718,401	\$3,280,766	\$1,437,635 Overstated
Ending Cash Balance @ December 31, 2008	\$(528,400)	\$771,978	\$1,300,378 Understated

The overstatement of disbursements resulted from the following:

• Unreported disbursements	\$ 184,070
• Disbursements to printing vendor that were reported twice	(1,526,656)
• Over-reported disbursements	(80,357)
• Unexplained difference	<u>(14,692)</u>
<b>Net overstatement of disbursements</b>	<b><u>\$ 1,437,635</u></b>

The duplicate reporting of \$1,526,656 in disbursements to the printing vendor was due to incorrect reporting of independent expenditures. NRL PAC paid for these independent



expenditures in advance of the dissemination dates. NRL PAC should have reported these advance payments on Schedule E, Line 21b, as operating expenditures. Once the printed materials were disseminated, the amounts of these expenditures were to be subtracted from Line 21b and reported as independent expenditures on Schedule E. NRL PAC correctly reported these expenditures on Line 21b when the payments were made, then correctly disclosed the independent expenditures on Schedule E upon dissemination of the materials. However, NRL PAC failed to subtract the amount of the independent expenditures from Line 21b.

The misstatements described above resulted in a \$1,300,378 understatement of the ending cash-on-hand.

## **2. Interim Audit Report & Audit Division Recommendation**

The Audit staff discussed the misstatements for 2007 and 2008 with NRL PAC representatives during the exit conference and provided copies of relevant workpapers detailing the misstatements. NRL PAC representatives stated that the necessary amended reports would be filed. Amended reports filed by NRL PAC after the exit conference corrected some, but not all, of the misstatements.

The Audit staff recommends that, within 30 calendar days of service of this report, NRL PAC take the following action:

- Amend its reports to correct the misstatements noted above.
- Reconcile the cash balance on its most recent report to identify any subsequent discrepancies that could affect the recommended adjustments, and adjust cash as necessary on its most recent report noting that the adjustment is the result of prior period adjustments.

## **B. Misstatement of Activity Reported on Original Reports as Compared with Bank Records**

### **1. Facts**

In addition to examining the most recent reports filed by NRL PAC prior to the audit, the Audit staff compared the original reports filed with the bank records and discovered a \$687,536 overstatement of disbursements in 2007 and 2008. This misstatement was largely due to the incorrect reporting of independent expenditures as noted above.

### **2. Interim Audit Report & Audit Division Recommendation**

The Audit staff discussed the misstatements for 2007 and 2008 with NRL PAC representatives during the exit conference and provided copies of relevant workpapers detailing the misstatements.

The Audit staff recommends that, within 30 calendar days of service of this report, NRL PAC submit any additional information or written comments it considers relevant to the matter.

## **Finding 2. Disclosure of Occupation and Name of Employer**

### **Summary**

A review of contributions from individuals revealed that 1,044 contributions totaling \$146,115 lacked disclosure of the contributor's occupation and/or name of employer. Furthermore, NRL PAC did not document "best efforts" to obtain, maintain, and submit information for most of these contributions. The Audit staff recommends that NRL PAC contact each contributor missing the occupation and/or name of employer, submit evidence of such contact, and disclose any information received.

### **Legal Standard**

**A. Disclosure of Receipts.** For each itemized contribution, the committee must provide the following information:

- The full name and address (including zip code) of the contributor or other source;
- The name of the contributor's employer (if the contributor is an individual);
- The contributor's occupation (if the contributor is an individual);
- Election to which a contribution or loan was designated;
- The date of receipt;
- The amount; and
- The aggregate election cycle-to-date of all receipts (within the same category) from the same source. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

**B. Best Efforts Ensures Compliance.** When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(i).

**C. Definition of Best Efforts.** The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
  - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
  - The statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

## **Facts and Analysis**

### **A. Facts**

A review of itemized contributions from individuals revealed that 1,044 contributions totaling \$145,615, or 29 percent of the dollar value of individual contributions itemized by NRL PAC, lacked disclosure of the contributor's occupation and/or name of employer. NRL PAC disclosed most of these contributions with the notation "requested" or "Information Requested."

For 708 of these contributions totaling \$92,416, the committee provided no evidence that it had exercised "best efforts" to obtain, maintain, and submit the information. This represents the majority of the individual contributions lacking the required information. For the remaining 336 (1,044 – 708) contributions totaling \$53,699, NRL PAC obtained the required information. It did not, however, amend its reports to disclose the additional information.

### **B. Interim Audit Report & Audit Division Recommendation**

The Audit staff presented this matter to NRL PAC representatives at the exit conference, along with the appropriate workpapers. In response, NRL PAC counsel stated that appropriate amended reports would be filed. Amended reports filed by NRL PAC after the exit conference reduced the dollar value of errors to \$136,330, or 27 percent of the dollar value of individual contributions itemized by NRL PAC.

The Audit staff recommends that, within 30 calendar days of service of this report, NRL PAC take the following actions:

- Provide documentation that it exercised best efforts to obtain, maintain and submit the required contributor information; or
- Make an effort to contact those individuals lacking the required contributor information and provide documentation of such efforts (such as copies of letters/emails to the contributors and/or phone logs); and,
- File amended Schedules A (Itemized Receipts) to disclose contributor information in NRL PAC's possession as well as contributor information obtained in response to this recommendation.